

USMC Post-MEO Review Guide

A. Introduction

1. Purpose. To provide guidance for conducting reviews of government Most Efficient Organizations (MEOs) retained in-house, as a result of commercial activities cost comparisons conducted under provisions of OMB Circular A-76.
2. Definitions:
 - a. MEO – Most Efficient Organization: The Government work force that competes with a contractor in a commercial activity competition.
 - b. PWS – Performance Work Statement: The statement of all work required to be performed and the basis of the commercial activity competition. Included, in the case of the MEO, are documents for maintaining current cost estimates, workload estimates, MEO staffing and performance standards information necessary for PWS/MEO administration.
 - c. PRS – Performance Requirements Summary: A technical exhibit to the PWS, it identifies the key performance indicators that will be evaluated by the government to assure performance standards are met by the service provider.
 - d. CAMIS – Commercial Activities Management Information System: A Government database that records information on A-76 studies as part of a legal reporting requirement.
 - e. REO/RO – Residual Effective Organization/Residual Organization: The organization identified in the Management Plan to perform inherently governmental and core government activities not contained in the PWS.
 - f. CGA – Continuing Government Authority: The residual organization identified in the Management Plan, plus other staff performing quality assurance and other PWS or contract administration functions under the authority of the commander of the activity supervising the MEO or administering the contract.
 - g. FTE – Full Time Equivalent: Work hours or partial work-years expressed in terms of their relationship to one whole work-year.
 - h. IHCE – In-House Cost Estimate: The Government's estimate of the cost of the MEO performing the work described in the PWS.
 - i. QA – Quality Assurance: A planned and systematic pattern of all actions necessary to provide confidence that adequate technical requirements are established, that products and services conform to established technical requirements, and that satisfactory performance is achieved.
 - j. QC – Quality Control: The system or procedure used by the service provider to check product/service quality.
 - k. QAP – Quality Assurance Plan: The CGA's administrative procedures for performing Quality Assurance.
 - l. QASP – Quality Assurance Surveillance Plan: The Government's plan for ensuring the quality of the work performed by either a contractor or the Government MEO.

3. Background. OMB Circular A-76, *Revised Supplemental Handbook*, (Chapter 3, Section L of reference b) requires that the Government MEO be reviewed after the first year of performance to confirm that the MEO:

- a. Has been implemented in accordance with the Transition Plan,
- b. Is performing in accordance with the Performance Work Statement (PWS), and
- c. Has managed actual costs within the In-House Cost Estimate (IHCE).

4. During the first year of MEO implementation, the Commanding Officer of the activity supervising the MEO will ensure that practices are implemented to manage cost, workload, MEO staffing, and performance, including quality control, quality assurance, PWS administration, and the generation of required performance review data from management information and reporting systems at the installation. HQMC I&L (LR) will offer guidance and assistance to these implementation efforts, including assist visits during the first year.

5. Annual reviews will be conducted by a review team led by an individual whose position is independent of the most senior position within the MEO. The review team will evaluate the MEO using the detailed review instructions as a guide, for the first annual review, to determine whether the cost, performance, and transition and implementation criteria have been met.

6. The Continuing Government Authority will develop a self-review program to monitor MEO cost and performance. The self-review program will be the focus of successive annual reviews and will allow the independent review team and the Commanding Officer to readily determine whether the cost and performance criteria have been met for annual certification.

7. The Commanding Officer of the activity supervising the MEO will schedule annual reviews to be conducted within 60 days following each anniversary of the implementation of the MEO. At the completion of each annual review, the Commanding Officer will state in writing whether or not the certification criteria have been met, based on the recommendation of the review team leader. If the review reveals minor cost or performance deficiencies, the Commanding Officer will authorize a specific amount of time, consistent with that given to a contractor, for corrective actions. If the review reveals major deficiencies, which cannot be corrected in a reasonable amount of time, or if the minor deficiencies are not corrected within the time specified, the MEO will be in default of the results of the cost comparison. The commanding officer will then recommend to HQMC I&L (LR), via the chain of command, that the contracting officer either award the contract to the successful contractor participating in the cost comparison or conduct a new cost comparison.

8. At the completion of each annual review, a copy of the review team's summary and recommendation (Appendix A), along with the Commanding Officer's certification letter, (Appendix B) will be forwarded to HQMC I&L (LR) via the chain of command.

9. References

- a. OMB Circular A-76 Commercial Activities Program
- b. OMB Circular A-76 Revised Supplemental Handbook
- c. MCO 4860.3D Commercial Activities (CA) Program

10. Review Guide Appendices

- Appendix A, Review Team Summary and Recommendation to C.O. - Sample Letter
- Appendix B, Commanding Officer's Certification - Sample Letter

B. Transition and Implementation

1. Purpose: Determine that the MEO was implemented in accordance with the Transition Plan, with adequate resources to satisfy performance requirements described in the PWS.
2. Certification Criterion: Within 6 months of the official MEO start date, MEO implementation was substantially complete, and the necessary resources to satisfy the requirements in the PWS were in place.
3. Practice Assessment
 - a. Coordination with HR and alternative sourcing are employed to minimize and mitigate labor shortfalls.
 - b. A position management process includes authorization of the Commanding Officer for MEO position changes.
 - c. MEO position and personnel documentation accounts for all personnel employed in the MEO during the review period.

B. Step 1 – Obtain the information required.

Item	Document/Data	Source	Review Instructions	Evaluation Comments
1	Management Plan		Obtain the final MEO Management Plan, including the Transition Plan.	
2	MEO final decision date		Determine when the MEO final decision (i.e., solicitation canceled) was announced.	
3	Implementation schedules and milestone completion dates		Obtain any additional transition and implementation schedules, along with milestones and dates on which the milestones were achieved.	
4	CAMIS implementation completed date		Obtain a CAMIS printout for the MEO.	
5	MEO staffing history - positions and personnel		Obtain an HR report of all names, grades, steps, position titles, series and employment dates for personnel who have held MEO positions at any time in the review period.	
6	Personnel source documents		Obtain a sample of MEO personnel action forms.	
7	MEO position management records		Obtain all MEO position change documentation, whether approved or submitted for approval.	

8	RO/REO staff list		Obtain the residual (effective) organization (RO/REO) current staffing. (The term REO or REO specifies the organization in Management Plans.) CGA (Continuing Government Authority) is the term used to cover the broader government functions providing oversight of the MEO.	
9	Equipment, Facilities and Services Acquisition		Obtain a listing of all equipment, facilities and services acquired by the MEO for its implementation, including that from the IHCE which has since been disposed.	
10	Property records		Obtain the current inventory of government furnished property transferred to the MEO, including shared property. Obtain documentation of shared property usage.	

B. Step 2 – Analyze and evaluate MEO implementation.

Item	Document/Data	Source	Review Instructions	Evaluation Comments
			Was the MEO implemented according to the Transition Plan and with the necessary resources to satisfy the requirements in the PWS?	
			Was MEO implementation completed within 6 months of the official start date?	
1	CAMIS report for MEO		Determine the date implementation was completed, as reported in CAMIS.	
			Was the MEO implemented with the necessary resources to satisfy the requirements in the PWS?	
2	Management Plan		Identify the MEO positions and FTEs in the Management Plan.	
3	MEO staffing history		Review the HR report of MEO positions and personnel and determine whether the MEO has been staffed per the Management Plan and subsequently approved position changes, during the performance period. (If not, assess the impact on PWS performance.)	
4	Actual RO staffing		Compare actual residual organization (RO) staffing with that described in the Management Plan.	
5	Acquisition of equipment, facilities and services		Compare the MEO planned acquisition of equipment, facilities and services necessary for MEO implementation with actual acquisition of these items and services.	
6	GFP records		Was custody of Government Furnished Property, identified in the current inventory, transferred to the MEO?	

C. PWS Performance

1. Purpose: Determine if the MEO is performing according to the PWS and performance standards.
2. Certification Criterion: The MEO is performing the work described in the PWS, and its performance is satisfactory, per the rating system in the QA plan.
3. Practice Assessment
 - a. Workload data is used in determining resource requirements.
 - b. PWS administration procedures are documented and in use.
 - c. The MEO's QC plan monitors performance across service areas. Performance deficiencies are identified, corrective actions are taken, and a continuous improvement process is in place.

C. Step 1 – Obtain the information required.

Item	Document/Data	Source	Review Instructions	Evaluation Comments
1	PWS		Obtain the PWS with all solicitation amendments.	
2	Performance matrix		Develop a matrix showing each work requirement in the Performance Requirements Summary (PRS) for a comparative analysis of workload and performance.	
3	Workload – historical exhibits		Obtain the technical exhibits of historical workload.	
4	Actual workload data		Obtain actual workload data for each functional area at the level of detail it is generated for management information by the MEO.	
5	QASP & PRS		Obtain the updated QASP and PRS.	
6	Performance requirements changes		Obtain records of all changes to the PWS/work requirements, workload estimates, and performance standards that have been approved or submitted for approval since the solicitation was cancelled.	
7	QA reports		Obtain QA report cards (e.g., monthly or quarterly reports) for each functional area and samples of inspectors' reports.	
8	QC plan		Obtain the current QC plan developed by the MEO.	
9	QC data		Obtain samples of work process performance data (e.g., response times, customer complaint or survey data) for each functional area.	

10	Improvement actions		Obtain records of improvement opportunities identified and improvement actions taken by the MEO (e.g., MEO meeting minutes).	
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C. Step 2 – Analyze, evaluate, and rate MEO performance.

Item	Document/Data	Source	Review Instructions	Evaluation Comments
			Is the MEO performing the work described in the PWS, and is its performance satisfactory, per the rating system in the QA plan?	
1	Performance matrix		Use the PWS Performance matrix for a comparative analysis of workload and performance.	
2	Workload comparison		Compare actual workload against historical workload provided in the solicitation exhibits (Section J). Determine whether there were any significant changes in workload.	
3			Ensure that services shown in the solicitation as Government-provided services are not included in the MEO workload.	
4			Ensure the actual work produced by the inherently governmental activities is not included in the MEO produced services.	
5	Performance standards		Evaluate whether any changes to the QASP have changed the quality or timeliness standards.	
6	Performance comparison		Compare actual performance against current performance standards for each work requirement in the PRS, using the PWS Performance matrix. Determine if a special inspection is required to measure performance against standards.	
7	Performance rating		Determine an annual performance rating, using the rating system in the QA plan, and determine if the MEO's actual performance rating is, at least, satisfactory.	
8	QC data		Determine if the MEO's QC plan is implemented and how and to what extent work process performance is monitored. (E.g., response time and customer complaint data are captured and analyzed and process descriptions are written and used.)	
9	Improvement actions		Determine how and to what extent improvement opportunities are identified and acted upon.	

D. MEO Cost

1. Purpose: Determine if the MEO is performing within the total cost identified in the In-House Cost Estimate (IHCE)
2. Certification Criterion: Total review period actual costs, less saved pay, do not exceed the total IHCE (adjusted for inflation and PWS changes).
3. Practice Assessment: MEO costs are reported regularly for management use from the financial system.

D. Step 1 – obtain the information required

Item	Document/Data	Source	Review Instructions	Evaluation Comments
1	Management Plan		Review the Management Plan for proposed MEO staffing and proposed equipment, facilities and services acquisition.	
2	Cost Comparison File		Obtain the original cost comparison file, including the automated Cost Comparison Form, accompanying worksheets, and individual line item records.	
3	IHCE line changes		Obtain documentation of any changes in the location of budget items among IHCE lines since the solicitation was canceled.	
4	Position and personnel lists		Obtain the HR documentation of positions and personnel, which was identified in the Transition and Implementation section of this guide.	
5	IHCE matrix		Develop a by-line item cost matrix (spreadsheet), which conforms to the IHCE, to be used for comparison of IHCE and actual costs.	
6	Labor Costs – Line 1 obligation reports		Obtain SABRS obligation reports showing total review period labor costs.	
7	Military labor		The cost of any military personnel used to cover labor shortfalls should also be identified.	
8	Payroll related reports		Obtain payroll related reports identifying actual review period cost amounts for salary pay, other entitlements, other pay (e.g., overtime, differential pay), and fringe benefits.	
9	Saved pay		Obtain the calculated review period saved pay amounts; by each MEO position filled by personnel who received saved pay.	
10	Material and Supply Costs – Line 2		Obtain SABRS obligation reports showing total review period material and supply costs.	
	Other Specifically Attributable Costs – Line 3			
11	Depreciation		Obtain depreciation tables for property included in the IHCE.	

	costs			
12	Rental property costs		Obtain source documents showing total review period rental property costs.	
13	Maintenance and repair items costs		Obtain SABRS obligation reports showing total review period maintenance and repair costs.	
14	Utilities items costs		Obtain source documents showing total review period utilities (items identified in the IHCE) costs.	
15	Travel costs		Obtain SABRS obligation reports showing total review period travel costs.	
16	Subcontract costs		Obtain SABRS obligation reports showing total review period subcontract costs, including contracted labor costs.	
17	Additional costs – Line 7		Obtain SABRS obligation reports and source documents showing total review period costs for line 7 items.	

D. Step 2 – Analyze and evaluate MEO cost

Item	Document/Data	Source	Review Instructions	Evaluation Comments
			Is the actual cost of MEO performance within the total cost in the IHCE, adjusted for inflation and PWS changes?	
1			Use the IHCE matrix (spreadsheet) to enter cost amounts and show the by-line comparison of the IHCE and actual costs.	
2			For all actual costs, evaluate the adequacy of audit trails and availability of supporting documentation. Verify that all assumptions, data, sources, and methods of cost accumulation are documented.	
3	MEO staffing history		Ensure that all personnel assigned to the MEO during the review period are accounted for in the actual labor cost.	
4	Labor Costs – Line 1		Determine the actual review period labor cost attributable to the MEO, including salary pay, other entitlements, other pay (e.g., overtime, differential pay), and fringe benefits. (Use actual fringe benefit costs, rather than applying the IHCE fringe rate.)	
5			Ensure that all actual direct labor and supervision costs necessary to accomplish the requirements of the PWS are included.	
6			Ensure that the actual costs of government furnished services in the PWS are not included in the MEO costs.	
7	Other pay and entitlements		Review actual amounts of other pay and entitlements and compare to MEO estimates.	
8	Saved pay adjustment		Review saved pay for MEO personnel. Subtract this amount from the total review period labor costs to determine the adjusted actual labor cost.	
9	Mission and workload increases		Review all documented increases in mission performance by the MEO. Estimate the marginal cost of additional labor and materials required to perform the additional work. Subtract this amount from the adjusted actual labor cost.	
10	Performance deficiencies cost		Identify any cost increases resulting from MEO performance deficiencies. Example: the Navy Crane Audit Team deadlined some cranes because the MEO's certifying official failed to maintain a required certification. If another certifying official was required to inspect the cranes, this cost should be added to MEO performance cost.	
11			Ensure the costs of providing quality assurance for the MEO are not included in MEO labor costs.	
12	Material and Supply Costs – Line 2		Determine the cost of goods and services actually acquired by the MEO during the review period.	

Item	Document/Data	Source	Review Instructions	Evaluation Comments
13			Review the PWS and solicitation documents to determine which materials should be included in the actual cost. Government Furnished Material (GFM) and Government Furnished Equipment (GFE) should be excluded from the cost comparison since the costs were common to the MEO and other bidders.	
	Other Specifically Attributable Costs – Line 3			
14	Depreciation costs – non-charges		Determine review period depreciation costs of assets in use by the MEO. Ensure that assets depreciated for the IHCE are the assets being used.	
15	Rental property costs		Determine the MEO's cost of rental property for the review period. Verify that actual rental costs are for the same property estimated in the IHCE. Any rental costs that would have applied to either in-house or contractor performance should be excluded.	
16	Maintenance and repair costs		Determine the actual MEO cost of maintaining GFP during the review period. Ensure that capital expenditures for major improvements or asset enhancements are not shown as actual costs for maintenance and repair.	
17	Utilities costs		Determine actual MEO review period costs for utilities (items identified in the IHCE) that would have not been provided to the contractor/ISSA but were required for in-house performance.	
18	Insurance costs – non-charges		Identify insurance cost estimates in the IHCE to use as non-charged amounts for inclusion in the total MEO review period cost.	
19	Travel costs		Determine actual MEO review period travel costs.	
20	Contract costs		Determine actual MEO review period contract costs, including contracted labor.	
21			Document any actual costs of providing quality control to MEO subcontracts.	
22	Overhead costs – Line 4		Determine MEO overhead costs by applying 12% to adjusted (without saved pay) actual labor costs.	
23	Cost of capital – Line 5		Determine MEO cost of capital for capital assets acquired. These assets would not have been provided to the contractor and would have been acquired either less than 2 years prior to start of the first performance period or within the performance period.	
24	Additional costs – Line 7		Determine the review period costs for the additional cost items identified in the IHCE. Include IHCE amounts for non-charged items.	
25	IHCE matrix		Total the actual costs on the IHCE matrix (spreadsheet) and compare by-line and total actual costs to the IHCE amounts.	

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Appendix A
MEO Review Summary and Recommendation Letter to C.O.

The review team leader must ensure that the Commanding Officer has a sufficient basis to certify the Post-Implementation Review of MEO Performance and should provide the following:

- Review guide with evaluation comments
- Access to working papers supporting the review
- Review Summary and Recommendation Letter (sample below)

Commanding Officer,

We have completed a post-implementation review of MEO performance and the supporting documentation available for (*function under study and location*). The objective of our review was to determine whether the MEO has been implemented in accordance with the Transition Plan, is satisfactorily performing the PWS, and is doing so within the in-house cost estimate.

Our review included the tracing of actual and estimated costs to accounting records and other supporting documentation; however, we did not evaluate the adequacy of internal controls or the accuracy of accounting or computer records. All discrepancies or concerns noted in this review were brought to the attention of personnel responsible for the MEO and (have/have not) been satisfactorily resolved.

Based on our review, we recommend certification of the MEO.

The MEO has was implemented in accordance with the Transition Plan

The MEO is performing the work described in the PWS, and its performance is satisfactory
.....

Total MEO review period actual costs are within the in-house estimate.....

OR

Based on our review, the following discrepancies lead us to believe the MEO needs additional time for corrective action before being certified.

Item 1,
Item 2, etc.

Signed: _____ Date: _____

Title: _____

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Appendix B
Sample C.O. Certification Letter

From: Commanding Officer, (*Activity Name*)
To: HQMC I&L (LR)
Via: Intermediate Command

Subj: POST MEO REVIEW OF (*FUNCTION*) AT (*LOCATION*)

Ref: (a) USMC Post-MEO Review Guide

1. We have completed the Post-MEO Review required in reference (a). The objective of the review was to determine whether the MEO has been implemented in accordance with the Transition Plan, verify the MEO performed the services of the PWS, and determine if actual costs are within the in-house estimate. Our review began on (*date*) and was completed on (*date*).
2. Our review included the tracing of actual and estimated costs to accounting records and other supporting documentation; however, we did not evaluate the adequacy of internal controls or the accuracy of accounting or computer records.
3. Our examination would not necessarily disclose all deficiencies; however, nothing came to our attention during the review that caused us to believe the performance of the MEO was not in compliance with OMB Circular A-76 and reference (a).

OR

3. Our examination would not necessarily disclose all deficiencies; however, the following issues came to our attention during the review that caused us to believe the performance of the MEO was not in compliance with OMB Circular A-76 and reference (a). Thus, I have chosen to allow the MEO (time period) to correct the discrepancies outlined in the enclosed review team summary and recommendation letter. At the completion of the corrective action period, the review team will be asked to re-evaluate the areas of discrepancy and a determination regarding MEO certification will be made at that time.

(*SIGNED*)